



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Approving the Execution by the City Manager of a \$245,000 Promissory Note Payable to James E. Dean as Surviving Trustee of the James E. Dean Family Trust with Interest of 6% and Interest Only Payments to be Made on a Quarterly Basis (CM)

MEETING DATE: July 18, 2007

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Adopt Resolution approving the execution by the City Manager of a \$245,000 promissory note payable to James E. Dean as surviving trustee of the James E. Dean Family Trust with interest of 6% and interest only payments to be made on a quarterly basis.

BACKGROUND INFORMATION: On May 1, 2002 the City of Lodi issued a promissory note for \$245,000 to James E. Dean and Carol Dean as trustees of the of the James E. Dean Trust, for the purchase of the property at 307 West Elm Street, which is part of land upon which the current Police facilities are located. The note expired as of April 1, 2007 and the payment terms included interest only payments at an annual interest rate of 5%. Investment rates have increased dramatically over the last five years and the Dean's have requested an extension of the note for another five years at an annual interest rate of 6%. The current interest rate the City is earning on its investment pool is approximately 5.3 % and it is anticipated over the course of the next five years that the investment rate will be at or close to the rate requested by the Deans. Based on the current cash flow needs of the City and the anticipated favorable rates that the City will earn on investments, it is prudent to renew the promissory note for another five years at 6%.

Staff recommends that the City Attorney draft a promissory note payable to James E. Dean as surviving trustee of the James E. Dean Family Trust with terms including payment in full of the note on April 1, 2012 and quarterly payments of interest only at 6% annual interest.

FISCAL IMPACT: There is an opportunity cost associated with the choice between paying off the note at this time and the anticipated investment earnings from retention and investment of the cash that would be used to pay off the note. Based on continuing favorable investment rates with the Local Agency Investment Fund (LAIF) there is no fiscal impact from this action.

FUNDING AVAILABLE: Debt payments are budgeted in the Capital Outlay Fund.

James R. Krueger, Deputy City Manager

APPROVED: _____
Blair King, City Manager

RESOLUTION NO. 2007-_____

A RESOLUTION OF THE LODI CITY COUNCIL
APPROVING AND AUTHORIZING THE CITY MANAGER
TO EXECUTE A \$245,000 PROMISSORY NOTE PAYABLE
TO JAMES E. DEAN AS SURVIVING TRUSTEE OF THE
JAMES E. DEAN FAMILY TRUST

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WHEREAS, the City of Lodi desires to renew the promissory note that was due and payable as of April 1, 2007 to James Dean as Surviving Trustee of the James E. Dean Family Trust; and

WHEREAS, the terms agreed upon by the City of Lodi and James E. Dean for repayment of the promissory note include an interest rate of 6% with quarterly payments starting on July 1, 2007 and continuing thereon until April 1, 2012.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute a \$245,000 promissory note payable to James E. Dean as Surviving Trustee of the James E. Dean Family Trust with terms including interest only quarterly payments at 6% and full repayment on April 1, 2012.

Dated: July 18, 2007

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I hereby certify that Resolution No. _____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held July 18, 2007, by the following vote:

AYES: COUNCIL MEMBERS
NOES: COUNCIL MEMBERS –
ABSENT: COUNCIL MEMBERS –
ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk